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CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

BUSINESS STUDIES

0450/04

Paper 4 Alternative to Coursework

October/November 2003

1 hour 45 minutes

Candidates answer on the Question Paper.

Additional Materials: Compass
Graph paper
Protractor
Electronic calculator
Pencils
Ruler

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen in the spaces provided on the Question Paper.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

You may use the graph paper provided for the drawing of graphs, pie charts, etc. in answer to any of the questions. Write your Centre number, candidate number and name and the number of the question at the head of the graph paper.

Pages 3 to 5 contain information for your use. These pages may be detached for easy reference. You do not need to return these pages with the question paper.

You are advised to spend at least 45 minutes in preparing and writing the report required in Section B.

The business described in this case study is entirely fictitious.

If you have been given a label, look at the details. If any details are incorrect or missing, please fill in your correct details in the space given at the top of this page.

Stick your personal label here, if provided.

For Examiner's Use	
1	
2	
3	
TOTAL	

This document consists of **11** printed pages, **2** blank pages and **3** lined pages.



Fruits R US Ltd: A marketing problem

Fruits R US Ltd is a successful company that produces fruit drinks. A new fruit drink called 'Full of Juice' was launched in a local market to see if it was popular. Fruits R US Ltd sells drinks in all regions of the country.

The marketing mix of 'Full of Juice' is as follows:

- It is sold at a low price, similar to the prices of unbranded, locally produced drinks
- The packaging is a plain white carton with a simple picture on the outside
- The new drink is advertised on national television and in national newspapers
- It is distributed through large stores in the city and in high quality supermarkets.

The new drink has been selling for six months and sales have been very disappointing. Fruits R US Ltd needs to decide if the marketing mix is wrong or consumers don't like the taste of the new fruit drink. The company has to decide whether to change the marketing mix and launch the new product over the whole country or whether to stop producing it and find a different product to sell.

You have been asked by the Board of Directors of Fruits R US Ltd to look into the problem and write a report recommending what they should do.

MEMORANDUM

To: Marketing manager
 From: Production manager
 Date: 21 October 2003
 Subject: Production costs of 'Full of Juice'

Here are the production costs for 'Full of Juice' you requested:

Raw materials	\$ 15
Production labour costs	\$ 20
Packaging	\$ 5
Distribution costs	\$ 10

These costs are for 100 litres of fruit juice.

The juice sells in the shops for \$1.00 per 1 litre carton of juice.

The raw materials we use are expensive because we produce a high quality fruit juice. If we change the packaging it will not add to labour costs.

If we sell the fruit juice to the whole country we estimate that distribution costs will increase by 100%.

I hope this information will help you in deciding the best course of action to take!

Fig. 1

Example of the newspaper advert for Fruits R US Ltd

Full of Juice!

(The new name of our latest fruit drink)

**100% fruit juice gives that wonderful taste!
 No artificial additives.**

**Buy this new fruit drink, available now
 in all good supermarkets.**

*A recent Government report
 has found that fruit drinks are very good for your health.
 The juice drinks that contain 100% fruit juice are especially good.
 It is advised that you drink at least one carton a week.*

Retail price is just \$1 per litre carton.

Fig. 2

Graph of national fruit juice sales

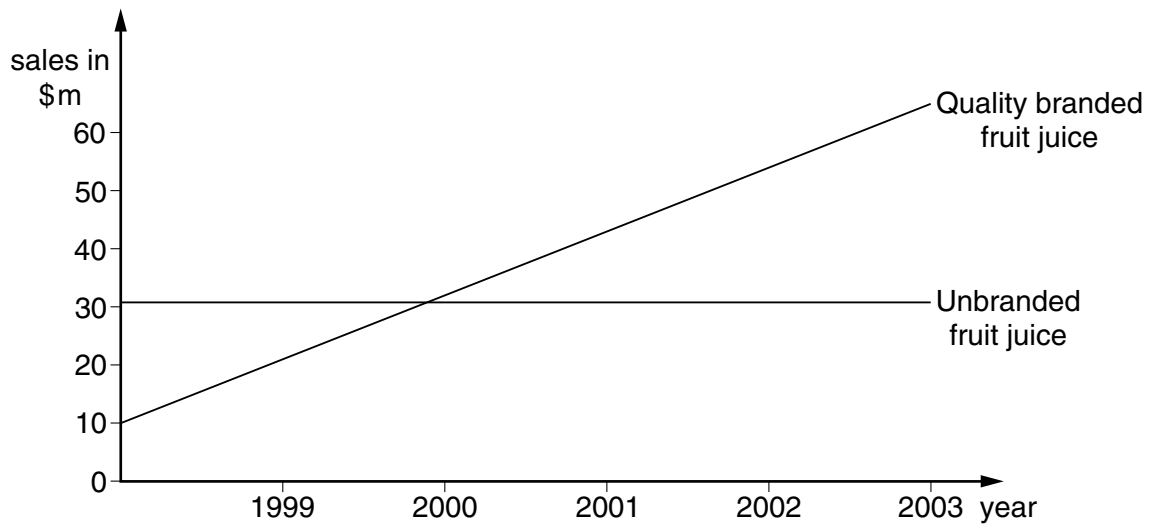


Fig. 3

The Business News

30 October 2003

There has been an improvement in packaging for drinks. There is a new type of carton that has just been developed which is easy to open without spilling the contents of the container. This new packaging is especially good for carton drinks. It has also been found that this new carton keeps drinks fresh for up to 3 times longer than the old cartons.

The new packaging is slightly more expensive – about 50% more than other cartons. It is used by just one fruit juice producer at the moment called High Juices Ltd. It is likely to be used by most producers in the near future if customers will pay the increased price.

Fig. 4

Section A

1 (a) (i) What pricing strategy are Fruits R US Ltd using to sell the new fruit drink?

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(ii) State and describe **two** other pricing strategies they could use.

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(b) (i) Explain why a high quality fruit juice is sometimes sold in different shops to a low priced, unbranded fruit drink.

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(ii) Why might Fruits R US Ltd decide to sell 'Full of Juice' through a wholesaler?

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(c) State **four** types of promotion, other than newspaper advertising, Fruits R US Ltd could use to promote 'Full of Juice'.

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(d) Explain **two** reasons why packaging is an important part of the marketing mix for this product.

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2 (a) Fruits R US Ltd want to find out about their competitors. State **two** secondary sources of information they could use.

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(b) Fruits R US Ltd want to find out more information about their customers.

(i) Design a questionnaire the company could use containing no more than 4 questions. Explain why these questions would be of importance to Fruits R US Ltd.

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(d) Why is it important for Fruits R US Ltd to know more about the competition in the whole fruit drinks market before launching 'Full of Juice' on the national market?

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Section B

- 3** Using all of the information available to you in this paper, write a report to the Board of Directors of Fruits R US Ltd, advising them on the alternative ways of solving their marketing mix problem.

Your report should include:

- a brief summary of the problems with the marketing mix of 'Full of Juice';
- the advantages and disadvantages of alternative ways of changing the marketing mix for the new fruit drink – consider Product, Price, Place, Promotion and Packaging separately;
- a conclusion comparing the alternative ways of solving the marketing mix problem;
- your recommendation of the best way of solving the marketing mix problem, based upon your conclusion;
- reference to relevant business studies theory as and where appropriate.

Marks will be awarded for using the correct format for a report.

Write your report on the pages which follow. You may ask for additional paper if you need this to complete the report. [50]

